

TOURISM SERVICE INDUSTRY

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SUMMARY

Among the Portuguese population the main reason for going on vacation is the need for physical rest; second, the need to enjoy the sun and the beach and being away from the everyday environment; and third to learn about different cultures and to meet new people.

The Portuguese working population is entitled to a total of 22 working days of vacation per year. August, July and September are the top vacation months.

Tourism is one of the most promising sectors in Portugal. The Portuguese travel more and more each year and the tendency is to grow at a steady rate of around 10 percent per year.

Due to the recent terrorist attacks in New York and Washington air travel from Portugal has decreased over 80%. Passengers that had planned a vacation or business trip have either cancelled it or postponed it. Travel agents fear a recession in the air travel and tourism industry. This report will focus on travel and tourism statistics and tendencies during as well as Portuguese tourism infrastructure

A. MARKET HIGHLIGHTS AND BEST PROSPECTS**1. Market Profile**

Portugal occupies a total area of 92,985 Km², of which 88,944 Km² are mainland Portugal and the remainder are the Madeira and Azores Islands. The population Portugal is around 10 million inhabitants. The climate in mainland Portugal is characterized by humid winters, and relatively dry summers. In the Algarve region (southern Portugal), the winters are more moderate and sunny, with hot summers. The moderate and mild weather and the beautiful and diversified landscape in Portugal makes tourism one of its largest industries. Traditionally the Portuguese population takes a vacation at least once a year. The preferred months are July, August and September and the Christmas season. By law the Portuguese work force is allowed to take 22 working days vacation.

2. Travel and Tourism Infrastructure

Tourism is a vital sector in the Portuguese economy. Any initiative intended to expand tourism is always welcome by the Government of Portugal. Portugal continues its massive infrastructure development

projects. The need to parallel such progress with more elaborate and complete passenger travel services increases, therefore, as well. In 1998 Portugal hosted the World Fair and will host the World Football Cup in 2004 - Euro 2004.

Consequently, Portugal has invested in upgrading facilities and developing sufficient infrastructure in order to host these events. The metro in Lisbon is continuously expanding and a new metro in Oporto, Portugal's second largest city, is expected to be ready by 2003. Moreover, there are plans to build a new international airport in Lisbon by 2010, to build over USD 3 billion in new highways and new football stadiums, to execute urban renewal projects in eight Portuguese cities and to create a "Hollywood type" movie city in Cascais. To this, the private sector has responded by building 20 new hotels in Lisbon and 6 new hotels in Oporto. As Portugal undergoes these improvements in infrastructure, it comes as no surprise that more tourists come to Portugal to enjoy its culture, monuments and medieval towns, adventure vacations and eco-getaways. Tourist arrivals in Lisbon, for example, have increased over ten percent each year since 1998 is indeed the realization.

Presently, there are a total of 1,786 hotels, motels, tourism apartments and resorts; 569 agro/rural tourism lodging units; 183 camping parks totaling an area of 870.9 acres; and 50 youth hostels. In January 2000, the total number of travel agencies was 1200. The latest statistical data on the number of restaurants is dated 1996. At that time, Portugal had a total of 35,633 restaurants and similar facilities (i.e. cafes, bars, bakeries, etc.). The tourism industry employs a total of 42,303 people.

Twenty new hotels are projected and some are already under construction. The completion deadline for all hotels is 2004, the year when Portugal hosts the Euro 2004 European Football Cup tournament. The investment of around USD 300 million will increase the hotel rooms in Lisbon to 27,000 compared to the present 12,000 rooms, an increase of around 25%. Some new hotels will use existing high-value and/or historical real estate. The refurbishing and remodeling of some of Lisbon's older but valuable real estate will recuperate properties that have been ignored for many years.

Since the World EXPO took place in Lisbon in 1998, tourism has been increasing. By July 2000, the number of tourists to Lisbon had increased by 1.8 million and the hotel occupancy rate reached 76%. Tourist arrivals in the Lisbon International Airport have increased at a 10% rate per year since 1998.

Oporto, the Industrial capital of Portugal, located 300 kilometers north of Lisbon, has a lower hotel occupation rate and hotel prices are also lower compared to Lisbon. Nevertheless, Oporto expects its tourist rates and hotel occupancy rates to increase considerably for the Euro 2004 and,

therefore, is also building six new hotels and reconstructing and upgrading two existing hotels. Oporto will invest around USD 120 million to increase its hotel rooms by 1,200.

3. Market Trends

Portuguese vacation trends are changing. Portuguese tend to visit places outside Portugal. As the economy grows (3.4% GDP in 2000), consumers wish to travel more. Since August 1999, when Portugal qualified for the U.S. Visa Waiver Program, inbound tourism from Portugal to the United States has skyrocketed: between 1998 and 2000, the number of Portuguese tourists who came to the United States increased by 28.6 percent. Moreover, as Portugal catches up to its EU partners, it will continue to mimic if not outperform EU trends. This bodes favourably for the Portuguese Travelling Industry as WTO figures forecast a more than doubling of European travel to foreign destinations over the next two decades from 350 million in 1999 to 728 million in 2020. This growing trend is reflected in the efforts of a number of American companies to start up charter air service from the United States to Portugal. Accordingly, passenger travel services need to be developed in both directions as the Portuguese increasingly flock to vacation in the United States and as Portugal becomes a growing international vacation hot spot.

In 2000 a total of 4.1 million people in Portugal mainland over 15 years of age, enjoyed a vacation away from home, either in Portugal or outside Portugal. Of these, 1.1 million visited foreign countries.

In order to maintain this trend and because of the safety alert, the expansion of the market and the development of a complete set of passenger services does not solely rest within Portugal. With the current situation a number of safety and security measures have to be taken in airports and airplanes in order to gain passenger confidence. Airport surveillance equipment will have to be acquired and existing equipment upgraded. Aircraft carrier cockpits will have to be safer and inaccessible to passengers. Creation of safe cabins for flight attendants with communication equipment should be designed and air patrol police force enforced.

The preferred destination in-country in 2000 was the Algarve, south of Portugal where the beaches are vast and the water is warm. The north central part of Portugal is also becoming popular.

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Travelling to foreign countries grows at an average of 8 percent per year. European countries are still in the first tier reaching a total of 77.3 percent. Spain stands in first place with 42.4 percent, followed by France with 14.8 percent.

Tour operators and travel agents play an important role when it comes to suggesting holiday destinations - Mexico, Cuba, Dominican Republic, Brazil, Tunisia, Turkey and the U.S. have had very good promotions and are starting to become popular. There are around 1200 total travel agencies (including headquarters, branches and implants) throughout Portugal. Most of the tour operators have travel agencies. Travel agent services are sought more often by the Portuguese, particularly in the cases where the holidays are spent away from home. Most Portuguese make their travel arrangements two months or less ahead of the departure date.

Until mid September 2001, the most restrictive reasons for not traveling inside or outside the country were economic, health and professional reasons. Today safety and security are ranked first.

The year 2000 outranked 1999 which had been the highest percentage ever of Portuguese travelers to foreign destinations. In 2000 a total of 1.1 million people travelled to foreign destinations - an increase of 8.2 percent from 1999. The preferred destinations are: Europe: Spain 42.4%, France 14.8% and England 5%; Africa: best preferred continent after Europe, with 8% of the travel; Brazil with 7%; and the USA with 4%.

Vacations spent away from home in the in the past 3 years

	1998	1999	2000
- Vacations in Portugal	89%	91%	97%
- Vacations outside Portugal	17%	22%	30%

The sum of the holidays in and outside Portugal is over 100%, as some of the Portuguese spent their holidays both in Portugal and abroad.

The economic structure is, undoubtedly, the most important factor when it comes to travelling. People who earn more have the opportunity to travel more not only in Portugal but also to foreign countries. Below is a table by socio-economic distribution of the Portuguese people who took a vacation in the past three years.

The average amount of money spent while on vacation varies from USD 35 if in country and around USD 75 if outside the country (Exchange rate: USD 1=PE 200. These figures do not include accommodation).

4. Visitor Profile

Age, residential area and social status are a few of the factors that influence vacation tendencies in Portugal. Age is a very important factor for the travelling community - the younger sector of the population is the one that travel most as shown in the table below. This is due in part to the special reduced tariffs from which the younger generation benefits. The statistics collected in the first three months of 2001 indicated that 14,4 percent of the portuguese population (over 15 years of age) travelled for a vacation (6.1 percent) or to visit relatives (5 percent). In 2000 the main reasons for travelling were:

Visiting relatives and friends:	42.0%
Vacation and leisure:	38.1%
Business travel:	11.4%

People living in larger and more populated cities or areas tend to travel more. Information and services cover a wider range of the population and this group of inhabitants is better informed. They are the ones that use the services of travel agents more often -- be it for reservation of accommodations and/or transportation only, or for buying complete travel packages. Living in larger cities is also more tiring and saturating thus these people value the rest/relaxation in a vacation more than other people living in calmer and quieter regions.

4. Best Sales Prospects

Beach vacations are the Portuguese travellers' main preference. If the tourist stays in Portugal, the Algarve in southern Portugal is ranked first with 32 percent. If travelling abroad, Spain is ranked first with a vast number of tourists travelling to the Canary and Balearic Islands. Spain is followed by France, Turkey, Tunisia, Morocco and Malta.

Portuguese inbound travel to the United States continues to grow at a steady pace, an increase of 8.7% from 1999 to 2000. New York, Florida, New England and California are the preferred destinations for the Portuguese in the U.S. There are large concentrations of Portuguese immigrants in the New York, New Jersey, New England and California. Florida offers good summer resorts and theme parks to which the Portuguese like to travel.

B. COMPETITIVE ANALYSIS

1. Domestic Tourism

The preferred vacation spot in Portugal during 2000 was the Algarve region with increased from 28 percent in 1999 to 32 percent in 2000.

Generally Portuguese workers take two to three weeks of leave during the summer months and remainder in December and other periods. It is also common that Portuguese make long weekend getaways at least once a month. Specially, if a public holiday should fall on a Thursday or a Tuesday, they take advantage of that situation and make a "bridge" - thus taking four days to getaway to a different environment. The beach is by far the preference of most getaways, followed by ecological/country side environments.

2. Barriers

Of several reasons for not going on vacation - economic reasons are by far the most prevalent followed by professional reasons. Safety and security have also become one of the most imperative reasons for not travelling by air. Among others, are personal or family health problems, other family problems, not having a job, being retired.

Other barriers include difficulty in choosing the perfect destination - many Portuguese depend on the travel agent to give them suggestions and a good package at a good price. Of the 619 thousand people that took a vacation in 1999, had it not been for doubts in choosing an outside destination, around 88% might have traveled to destinations outside Portugal - as opposed to the previous year where only 48% expressed that interest. The restrictions named by the surveyed people for not traveling abroad are mainly high accommodation and transportation fares.

C. END USER ANALYSIS

Portuguese tourists like to spend when on vacation. In average, a Portuguese taking a vacation outside Portugal, in addition to accommodation, spends around USD 75.00 per day per person on food and miscellaneous products. Shopping is a must when on vacation. There are no figures available on how much is spent on shopping per traveler when on vacation.

For the Portuguese tourist vacations are a consumer habit. They like to eat at good restaurants and visit attractions. The preferred activities when on vacation are:

- 1) 71% - rest and personal care, regenerate body and mind
- 2) 38% - outdoor / beach activities
- 3) 16% - meeting different cultures
- 4) 16% - visit attractions and see theater shows

In 1999, 16% of the people taking vacation used a travel agent. The use of travel agencies increases every year. The travel agent plays an important role in planning vacations and suggesting interesting destinations. In 1999 bookings for travel to foreign destinations accounted for around 62% of the travel agent's services, compared to 55% the previous year. However, the Portuguese are also using these services for in-country accommodations. People living in large cities, Lisbon and Porto, in the age group 14 to 35 are the ones using these services most often. The principle advantages of using the travel agent are show in the table below:

During the first three months of 2001 38.5 percent of the travel was organized directly by the traveler. Only 7 percent of the travellers visited a travel agent or tour operator. Many of the travellers are using direct internet shopping for the travelling and avoiding the long and complicated trips to a travel agent. The internet has become a time saving and comfort factor - and in many cases competitive prices are offered. Travel agents are mainly used for business and professional travel.

D. MARKET ACCESS

When travelling outside Portugal, Portuguese people like to buy full packages that include transportation fare, accommodation and guided tours. It is a Portuguese habit to leave everything to the last-minute therefore

many times they are unable to travel to the chosen destination because everything is fully booked. In the past couple of years some tour operators and travel agents, in an attempt to change this trend, have offered special prices to those booking their vacations 2-3 months in advance.

The media, travel agents and tour operators have a major influence in promoting specific countries as holiday destinations outside Portugal among end-users. State and local travel and tourism offices should work closely with the U.S. airlines, hotels and other holiday resorts in order to arrange attractive packages to promote European travel to the U.S.

Commercial Service Programs

In an effort to increase tourism from Portugal to the USA, the Commercial Service Portugal is working closely with Portuguese travel market players and media to generate interest among Portuguese travelers to visit the USA.

The next Lisbon Tourism Fair, in January 2002, we are planning to have the second American Pavilion. In our first participation we had the participation of two U.S. Tour Operators, one from California and one from Orlando, the Miami Convention and Tourism Bureau, Massport Authority, Continental Airlines, Delta Airlines, National Car Rental, U.S. National Parks and two Portuguese tour operators that promote the U.S. as a tourism destination. Our sponsors were Pepsi-Cola, M&Ms, Outback Steakhouse, TGI Friday's and Budweiser.

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ISA Customer Satisfaction Survey

U.S. Department of Commerce
International Trade Administration
The Commercial Service

The U.S. Department of Commerce would appreciate input from U.S. businesses that have used this ISA report in conducting export market research. Please review the privacy statement / disclaimers at the bottom of this Web site. Please take a few moments to complete the attached survey and fax it to 202/482-0973, mail it to QAS, Rm. 2002, U.S. Department of Commerce, Washington, D.C. 20230, or Email: [Internet\[Robert.Opfer@mail.doc.gov\]](mailto:Internet[Robert.Opfer@mail.doc.gov]).

* * * About Our Service * * *

1. Country covered by report: _____

Industry/title: _____

Commerce domestic office that assisted you (if applicable):

2. How did you find out about the ISA service?

___ Direct mail

___ Recommended by another firm

- ☐ Recommended by Commerce staff
- ☐ Trade/state/private newsletter
- ☐ Department of Commerce newsletter
- ☐ Other (specify): _____

3. Please indicate the extent to which your objectives were satisfied:

- 1-Very satisfied
- 2-Satisfied
- 3-Neither satisfied nor dissatisfied
- 4-Dissatisfied
- 5-Very dissatisfied
- 6-Not applicable

- ☐ Overall objectives
- ☐ Accuracy of information
- ☐ Completeness of information
- ☐ Clarity of information
- ☐ Relevance of information
- ☐ Follow-up by Commerce representative

4. In your opinion, did using the ISA service facilitate any of the following?

- ☐ Decided to enter or increase presence in market
- ☐ Developed an export marketing plan
- ☐ Added to knowledge of country/industry
- ☐ Corroborated market data from other sources
- ☐ Decided to bypass or reduce presence in market
- ☐ Other (specify): _____

5. How likely would you be to use the ISA service again?

- ☐ Definitely would
- ☐ Probably would
- ☐ Unsure
- ☐ Probably would not
- ☐ Definitely would not

6. Comments:

* * * About Your Firm * * *

1. Number of employees: ☐ 1-99 ☐ 100-249 ☐ 250-499
☐ 500-999 ☐ 1,000+

2. Location (abbreviation of your state only): _____

3. Business activity (check one):

☐ Manufacturing

☐ Service

☐ Agent, broker, manufacturer's representative

☐ Export management or trading company

☐ Other (specify): _____

4. Value of export shipments over the past 12 months:

☐ Less than \$10K

☐ \$11K-\$100K

☐ \$101K-\$500K

☐ \$501K-\$999K

☐ \$1M-\$5M

☐ More than \$5M

May we call you about your experience with the ISA service?

Contact name: _____

Phone: _____

Fax number: _____

Email: _____

Thank you--we value your input!

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